

Message Text

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ACTION SCI-06

INFO OCT-01 ARA-11 EUR-25 ADP-00 ACDA-19 CIAE-00 INR-09

IO-12 L-03 NSAE-00 NSC-10 OST-04 RSC-01 GAC-01 COME-00

XMB-07 EB-11 SCEM-2 TRSE-00 DODE-00 PM-09 SS-14

INT-08 AID-20 RSR-01 /174 W
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R 231300 Z MAR 73

FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 1399

USAEC GERMANTOWN MD

INFO AMEMBASSY BONN

AMEMBASSY OTTAWA

USMISSION TO EC BRUSSELS

S E C R E T BUENOS AIRES 2004

DEPAT PASS COMMERCE AND EX- IM BANK

E. O. 11652: GDS

TAGS/ TECH, AR

SUBJECT: CORDOBA NUCLEAR POWER PLANT- POLITICAL CONSIDERATIONS

REF: BA 1751

1. SUMMARY: WHILE DECISION HAS BEEN MADE ON CORDOBA PROJECT, SPECULATION CONTINUES ON REASONS FOR GOVT DECISION TO ACT WHEN IT DID, AND ON WHETHER DECISION WILL BE MAINTAINED BY NEW GOVERNMENT. OF PRINCIPAL IMPORTANCE IN THESE SPECULATIONS IS ATTITUDE OF PERONIST PARTY, AND, ULTIMATELY, OF PERON HIMSELF. END SUMMARY.

2. AS REPORTED IN REFTEL PARTY ITSELF HAS NOT TAKEN FORMAL STAND ON ISSUE. HOWEVER, DR. RAUL MATERA, AN IMPORTANT PERONIST POLITICIAN (AND BROTHER- IN LAW OF DR. MARTIN CRESPI, MANAGE OF RESEARCH OF CNFA, WHO PROBABLY SUPPORTS CNEA STAFF PREFERENCE FOR NATURAL URANIUM), ISSUED DETAILED PUBLIC REBUTTAL TO PUBLIC WORKS MINISTER GORDILLA' S STATEMENT IN SUPPORT OF
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ENRICHED URANIUM. TECHNICIANS OF PERONIST PARTY ALSO DEFENDED NATURAL URANIUM FOLLOWING GORDILLA STATEMENT. AS THESE FACTS SUGGEST, THERE CAN BE LITTLE DOUBT THAT NATURAL URANIUM DECISION IS CONSISTENT WITH NATIONALIST PREDILECTION OF PERONIST PARTY AND ITS SUPPORTERS.

3. DESPITE THIS, INDUSTRY SOURCES HAS REPORTED THAT ITS PERONIST CONTARICE. BENEFITS FROM INTERNATIONAL PRICE INCREASES WERE TO BE DIVIDED AMONG GROWERS (35 PERCENT), NATIONAL COFFEE FUND (THIRTY FIVE PRECENT) AND DEPARTMENTAL COMMITTEES (30 PERCENT).

2. MINFIN LLORENTE IN ONE AND ONE HALF HOUR SPEECH DENIED GOVT HAD VIOLATED AGREEMENT, ALTHOUGH HE SAID THAT AGREEMENT NEEDED REVISING DUE TO EVENTS WHICH HAD TAKEN PLACE SINCE OCTOBER 1972. MINFIN ASKED GROWERS TO UNDERSTAND DOMESTIC AND INTERNATIONAL INFLATIONARY PRESSURES WHICH PROMPTED GOVT TO BE CAUTIOUS WITH DOMESTIC COFFEE PRICE INCREASES.

3. MINFIN CITED STATISTICS SHOWING THAT IN PAST 14 MONTHS, INTERNAL SUPPORT PRICE HAD BEEN INCREASED BY 44.7 PERCENT WHILE INTERNATIONAL PRICE HAD INCREASED BY 44.8 PERCENT. DURING SAME PERIOD, PESO RELATIVE TO DOLLAR DECLINED IN VALUE BY 10.4 PERCENT AND COST- OF - LIVING INCREASED BY 17.8 PERCENT. SINCE OCTOBER 1972, MINFIN REPORTED THAT INTERNAL SUPPORT PRICE WAS UP 19.1 PERCENT, THE INTERNATIONAL PRICE UP 20.5 PERCENT AND VALUE OF THE PESO DOWN 3.0 PERCENT.

4. MINFIN ALSO CITED FIGURES INDICATING THAT COFFEE FEDRATION AND NATIONAL COFFEE FUND DEBTS HAD BEEN GREATLY REDUCED OR ELIMINATED SINCE OCT 1972. IN ADDITION SUBSTANTIAL FUNDS WERE AVAILABLE FOR SOCIAL- ECON DEVELOPMENT IN THE COFFEE ZONES.

MINFIN TOOK OPPORTUNITY TO INFORM GROWERS OF OTHER BENEFITS RECEIVED FROM GOVT ACTIONS. AMONG BENEFITS HE NOTED THAT PRESUMPTIVE TAX ON INCOME FROM AGRICULTURAL LANDS HAD BEEN WORDED TO GIVE COFFEE GROWERS A BREAK; SIMILAR ADVANTAGES HAVE BEEN INCORPORTATE IN PROPOSED INCREASE IN LAND TAXES FOR EDUCATION.

5. MINFIN SAID THAT TO SOME EXTENT COLOMBIA WAS AT MERCY OF DECISIONS BY LARGER COUNTRIES EFFECTING WORLD ECONOMIC SITUATION. HE SAID THAT COLOMBIA MUST PROTECT ITSELF FROM ADVERSE SITUATIONS. HE ALSO CITED INFLATIONARY PRESSURES INHERENT IN SUDDEN AND SUBSTANTIAL GROWER INCOMES AND PREFERRED POLICY OF GRADUAL INCREASES. MINFIN OUTLINED FOLLOWING POINTS IN GOVERNMENT LIMITED OFFICIAL USE

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COFFEE POLICY: (1) INSURE AN INCREASE IN REAL INCOME OF GROWERS WITHOUT CREATING EXCESSIVE INTERNAL DEMAND PRESSURES; (2) REINFORCE THE NATIONAL COFFEE FUND IN ORDER TO DECREASE ITS PERIODIC NEED TO BORROW TO CONDUCT ITS OPERATIONS; (3) RZMNFORCE SOCIAL PROGRAMS IN THE COFFEE ZONES; AND (4) CONDUCT AN INTERNATIONAL POLICY TO INSURE INCOME TO THE COUNTRY.

6. COMMENT: TECHNICALLY, THE GROWERS ARE CORRECT; THE GOVT HAS NOT COMPLIED STRICTLY WITH THE TERMS AGREED TO IN OCT 1972. NEVERTHELESS, THE GOVT HAS (MORE OR LESS) MAINTAINED, OR SLIGHTLY INCREASED, THE GROWERS REAL INCOME POSITION AND APPARENTLY HAS PROVIDED FOR SOCIAL- ECONOMIC DEVELOPMENT IN THE COFFEE ZONES. A STRONGER NATIONAL COFFEE FUND WOULD BENEFIT GROWERS AND THE BENEFITS TO GROWERS UNDER NEW TAX LEGISLATION APPEAR TO BE REAL. IT IS NOT EXPECTED, HOWEVER, THAT THE GOVTS' ARGUMENTS WILL BE PERSUASIVE TO THE GROWERS. ESSENTIALLY, THE DEBATE IS OVER DIFFERING POINTS OF VIEW WITH THE GROWERS CONCENTRATING ON LARGER CASH INCOMES AND THE GOVERNMENT ATTEMPTING TO EXPLAIN ITS LARGER RESPONSIBILITIES TO THE WHOLE ECONOMY. SYMPATHY CAN BE AROUSED FOR BOTH SIDES, BUT IN A CONTEST OF WILLS, THE GOVT' S VIEW LIKELY WILL PREVAIL WITH ENOUGH CONCESSIONS TO THE GROWERS TO MUTE THEIR PROTESTS.
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